

Commission on Streamlining Government

Senator Jack Donahue, *Chairman*
Roy O. Martin, *Vice Chair*
Angele Davis, Commissioner of
Administration
Barry Erwin
Brett F. Geymann, Representative
Leonel Hardman
John Kennedy, State Treasurer
Lansing Kolb
Mike Michot, Senator
Jim Morris, Representative



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MINUTES

Tuesday, November 10, 2009

9:00 a.m.

Senate Committee Room A-B

DATE APPROVED: November 17, 2009

I. CALL TO ORDER

A meeting of the Commission on Streamlining Government was held on Tuesday, November 10, 2009, in Senate Committee Room A-B of the State Capitol in Baton Rouge, Louisiana. Senator Donahue, Chairman, called the meeting to order at approximately 9:18 a.m.

II. ROLL CALL

The secretary called the roll and the following was noted:

MEMBERS PRESENT

Senator Jack Donahue
Representative Jim Morris
State Treasurer John Kennedy
Angele Davis, Comm. of Administration
Barry Erwin
Roy Martin
Leonel Hardman
Lansing Kolb
Senator Mike Michot
Representative Brett Geymann

MEMBERS ABSENT

STAFF PRESENT

Jerry Guillot, Chief of Staff
Tim Prather, Coordinator
Trudy Fourmy, Secretary

WITNESSES PRESENT:

Chris Young, Beer Industry League
Jim Harris, PhRMA
Annie Clark, La. Housing Finance Authority
Paul Pastorek, Supt., Education Dept.

Clarence Lymon, Revenue Dept.
Marjorie Powell, PhRMA
Kay DeBenedetto, Public Safety Services
Patrick Dovart, JAG

III. APPROVAL OF MINUTES

Senator Donahue notified the commission that the minutes to the meetings of September 27, 2009 and November 03, 2009 were in the folder for approval. Mr. Martin motioned that they be adopted; no objections.

IV. PRESENTATIONS

Senator Donahue welcomed Superintendent of Education, Paul Pastorek, who was present to give testimony to the commission. He stated that he was in attendance to answer any questions and to take the opportunity to speak with the commission to give a review of all the programs in the department. He had a booklet that was passed out to the commission which listed every department, how much money is in programs, the measurables, objectives, etc. They have provided information earlier that has been added to the appendix of this document. The appendix contained literacy and numeracy initiative, career and technical education initiative, and the high school redesign initiative. He offered to give the commission an overview today or visit at a later time to discuss any program. He gave the commission an additional document to point out perspectives. His vision is to provide technical support to the school districts so that they can be successful. He discussed having to take over certain schools which puts the district at risk. If DOE does not provide the capacity, DOE will not have the capacity for those people to help turn the district around and they will continue to struggle. They made a number of changes in DOE. They have eliminated 182 positions, 50+ were filled. The others were empty and closed out. They have eliminated two programs and have cut \$69 million from the education programs. Some of the programs are good programs, like the reward system for good schools.

He then referred to the last page of the handout which dealt with the restructure of the agency. They are going to eliminate 50 more personnel from the agency through retirement eligibility and a lay-off for the remaining. The cuts will be for federally funded positions that will not help the state financially and state general fund positions that will. The benefit to the state would be to push the federal funds into the districts. His final point was that while they have this target, it is not the end of their reorganization and restructuring.

Mr. Martin thanked Mr. Pastorek for coming and wanted to discuss with him the burdensome reporting requirement and asked for his comments on the School Improvement Plan and the Pupil Progression Plan. Mr. Pastorek commented that the School Improvement Plan was when the school is in trouble, they generate this substantial, time consuming, and onerous document (80-100 pages) that outlines the broad and detailed approach to fixing the school. A consultant assists them to prepare this report, which makes it expensive. He has asked staff to meet and prepare a report for a plan that will not exceed 5 pages. The challenge is the legislation mandating it on a state and federal level. Mr. Pastorek replied, when asked about a dollar figure, that to hire a consultant to do a plan usually costs between \$30,000 - \$50,000. This would apply to approximately 100 schools. The Pupil Progression Plan is a document which each districts states their rules on how to deal with a student progressing to the next grade or not. There are also rules on support that will be given if they are in trouble. This plan has become a bureaucratic piece and could be streamlined much more. This document is very large also and should be put into effect for multiple year periods. Mr. Martin requested a savings figure on this. Mr. Martin then inquired as to the Individual Education Plan, which he understood to be very good for those with special needs. There is also a plan for the gifted and talented and asked for comments on that. Mr. Pastorek answered that the plan is usually for the

purpose of assuring that a child will get special services for their special needs in order that they can be successful. He did question the importance for gifted and talented children. He was of the opinion that they should be included in special education but that the IEP could be looked at from the federal regulation standpoint.

He then requested to make a very brief yet broad statement regarding rule reduction and have sent out bulletins, one of which calls for very specific processing on how one's school is handled and they are trying to relax the rules and regs. He then gave an example of the tiered approach. He also told the commission that when they need help figuring out how to do this, they look at outsourcing in a number of ways, one in particular being procurement processes. They are also looking at outsourcing the audit process. Mr. Martin asked him if he would like a recommendation from the commission on the two items of outsourcing. Mr. Pastorek answered that it would reinforce what they are currently doing and would keep them focused on it.

Mr. Martin then discussed bulletins and how reams of bulletins are sent out from BESE. He questioned how many of them were necessary. Mr. Pastorek stated that they were focused on #741 presently.

Mr. Kennedy asked how many reports that schools had to fill out on an annual basis. The answer was that they were trying to have a collective conversation for only one report. School improvement requires 5 reports. Mr. Pastorek stated he would get the numbers for him on the rest. Mr. Kennedy then inquired as to the number of reports required from the school district on an annual basis. Mr. Pastorek told him that federal reports were more but that on a state level, it would be in the neighborhood of five. Some schools hire consultants to assist them and it comes from MFP. Mr. Kennedy then asked for a dollar figure on how much money was being spent on consultants. When asked about the number of outside consultants in the department, Mr. Pastorek replied that he has two consultants working on reorganization and budget cuts, one working on literacy and numeracy initiative, but that was all he was aware. He added that there were people working on the testing program and on other programs. Mr. Kennedy then asked for a dollar figure on how much money the department was spending on outside consultants. Mr. Pastorek agreed to give him the amount later. He relayed that he had knowledgeable employees but that outside help was needed to look at making efficiencies in the department. Internally, it is hard to see the organization in a different way.

Mr. Kennedy mentioned that an additional \$1.5 billion dollars had been spent on secondary and elementary education and asked for an overview of where the money was spent. Mr. Pastorek answered that during the last year of the Blanco administration, \$500 million was added in recurring money to the public education arena, \$220 million of which was for getting teachers paid to the Southern Regional Average. A large portion was for the MFP and for other initiatives and programs. Also, the LA4 program has been increased. The percentage of employees in DOE that devote their time to accounting, (procurement, MFP, accounting, auditing) is numerous and he did not know the percentage. The average amount of money spent on students today is approximately \$10,500. Of this, 60% is MFP money. Mr. Kennedy then discussed the academically unacceptable schools and the vouchers. He asked if it had been considered to give vouchers to the students of failing schools. A discussion ensued regarding private and parochial schools. When asked about the failing schools, Mr. Pastorek stated that he did not think failing schools should be tolerated for long periods of time. The question is if we will have courage to maintain the limits and that we have to look at the progress being made.

Mr. Hardman commented on outsourcing services statements made earlier regarding the employee not being in line with his vision and direction. He asked why the individuals had not been in training to determine his vision and direction, rather than going straight to outside consultants. Mr. Pastorek believed that there are times when those outside the organization can do a better job of looking in the organization to determine where savings can be made. A person working in the department may not see the opportunity. Those outside sources already have the research and data. He added that no one in the department wanted to be streamlined.

Senator Donahue then announced that the intent was for the commission to break for lunch at 12:00 and reconvene at 1:00.

V. RECEIVE ADVISORY GROUP RECOMMENDATIONS

IT Integration presented by Chairman Barry Erwin

AGDNES #24 Create a privatization and outsourcing unit within DOA having appropriate experience and expertise and provide that such unit is a resource for all depts. and agencies considering or implementing privatization or outsourcing regardless of which dept. controls the asset or the service being privatized or outsourced. The unit will serve as a center of functional excellence for privatization and outsourcing.

Mr. Erwin explained that this recommendation came from The Mercatus Center. Mr. Hardman discussed the cost effectiveness of the recommendation. Mr. Erwin explained that it would have the expertise to help with those things and to analyze privatization offers and determine if they were in the best long term interest of the state. Ms. Davis followed up by stating that the Division was working on this within DOA and they would expand it to provide assistance for other state agencies as the need arises. She added that there were certain steps they have gone through for certain commercial functions. They are evaluating and allowing them to compete, plus they look at cost efficiency and better value.

AGDNES #25 Every dept. and agency be required to (1) Organize itself structurally for the delivery of services along uniform regional boundaries as determined by the state; (2) Shift transactions with the public to an electronic online capability as appropriate; and (3) Support regional Government Services Centers under a "mall concept" whereby citizens may go for all government services and processes that could be accessed electronically or with the help of skilled specialists. Dept. and agency field offices be consolidated to such centers and surplus buildings and personnel be addressed.

AGDNES #26 Each state dept. is to prepare and provide a review or an analysis of what could be changed, modified, consolidated, eliminated, streamlined, improved, and/or enhanced to ultimately permanently reduce or eliminate continuation costs or expenses in their respective dept., agency, board or commission. Provide financial incentives for implementation of permanent sustainable savings.

- AGDNES #27** OJJ partner with DSS and other stakeholders to better implement the Families in Need of Services Program with a goal of preventing youth from entering the costly juvenile justice system.
- AGDNES #28** School districts should work with OJJ to forward local MFP funds to OJJ for students transferred to state custody and are no longer in local schools, eliminating the "double payment" for each student's education by the state and so that MFP dollars follow the student.
- AGDNES #29** Develop plan and explore efficiency opportunities for consolidating field sampling programs within the DHH, DEQ, and DWF.
- AGDNES #30** DHH to continue implementation plan to sell and/or lease the John J. Hainkel Home and Rehab Center.
- AGDNES #31** DHH to study appropriate role and determine best future use of Villa Feliciana Medical Complex either as a medical facility or otherwise.
- AGDNES #32** Develop plan and explore efficiency opportunities for consolidating/leveraging of DHH and DEQ drinking water programs for testing and monitoring and transfer Lead-base Paint Program from DEQ to DHH.

Rep. Morris of the Advisory Group on Civil Service & Employee Benefits had the following for the commission to receive:

- AGCS #19** The Office of Coastal Protection and Restoration should continue to integrate the state's existing coastal restoration, hurricane, and flood protection efforts.
- AGCS #20** The Office of Coastal Protection and Restoration should continue utilizing the support, staff, science and legal services of other agencies to avoid duplication and retain efficiency.

The possible savings on this would be \$425,000.

- AGCS #21** The Office of Coastal Protection and Restoration should continue to developing a prioritization tool to guide funding decisions and to identify the best opportunities to restore the ecosystem and protect La. from hurricane and storm damages.
- AGCS #22** The Office of Coastal Protection and Restoration should initiate a study to determine the appropriate roles and responsibilities of levee districts, parish governments, the state, and federal agencies involved in hurricane protection and coastal restoration efforts.

The savings on this will be forthcoming from the department.

- AGCS #23** The Office of Coastal Protection and Restoration should provide programs for carbon and water credits and apply the revenue raised to the cost of project development and implementation within the agency.
- AGCS #24** The Coastal Protection and Restoration Authority should ensure that the Office of Coastal Protection and Restoration engages in the third party, project-level technical review known as Independent Technical Review that provides recommendations concerning project plans and designs.
- AGCS #25** The Office of Coastal Protection and Restoration should continue to pursue the strategic deployment of mitigation funds to provide quicker start and faster completion of projects.

This recommendation has a potential savings estimated at \$250 million representing the state's 35% cost share.

- AGCS #26** The Office of Coastal Protection and Restoration should continue to reduce the time it takes to complete the contracting process.
- AGCS #27** The Office of Coastal Protection and Restoration should work with federal partners to improve the project development and implementation process, focusing on a reduction in the time which elapses between the initiation of a concept to completion of the project.
- AGCS #28** The Office of Coastal Protection and Restoration should continue to improve the new project budgeting and management system.
- AGCS #29** The legislature should require that all institutions of higher education bring their Tables of Organization on budget, to the extent and in the same manner followed by other executive branch agencies.
- AGCS #30** The DOA should integrate some responsibilities of the Office of State Lands with DNR.

Rep. Morris requested that this recommendation be withdrawn.

- AGCS #31** The Office of Workforce Development and the Dept. of Civil Service should begin discussions now, in anticipation of a reduction in the state workforce, to develop a plan for easing the transition of the employees from state service to private employment.
- AGCS #32** Each statewide elected official should determine, as of 10/2/09, the number of unfilled positions authorized for the agency in its Table of Organization, Appropriated Table of Organization Full Time Equivalents approved by legislative appropriation, eliminate 75% of those unfilled positions, and return the funds appropriated therefor to the state.

Rep. Morris requested that this be withdrawn.

Senator Michot presented the following recommendations to the commission for the Advisory Group on IT Integration:

AGIT #11 Research outsourcing imaging and content management services for ERP integration.

AGIT #10 Research outsourcing print and mail infrastructure across all agencies and depts.

Mr. Martin requested that staff check to see if his AG had a recommendation like this one.

AGIT #12 Utilize managed print services.

AGIT #13 Enable contracting methodology for value added services that transform the way employees work and improve constituent services.

Mr. Kennedy then presented recommendations from the Advisory Group in Efficiency and Benchmarking.

AGEB #37 DOI be given permission to buy its own telephone system, which will be an improved system, and also save \$250,000 each year, beginning with the second year after the purchase.

AGEB #38 The LSU Health Care Services Division be directed, to the maximum extent possible, to execute affiliation agreements with other hospitals that have high levels of Medicare patients and a commitment to resident training in order to receive additional money from Medicare for graduate medical education, which such additional monies are currently being left on the table because of low numbers of Medicare patients in the Charity Hospital system.

Senator Donahue stated he has seen statistics and that the \$160 million figure is accurate and would like to have that amount inserted into this recommendation.

AGEB #39 DHH be directed to reduce the administrative costs of the La. Medicaid Program by 20%, which will achieve an annual savings of \$50.4 million.

Mr. Kennedy stated that the commission had received a partial list of the expenditures by provider in the Medicaid program. His AG has requested that this list be prioritized and DHH had declined to do so. His AG has decided that the highest cost is administrative cost and they recommend that cuts start there.

Mr. Kennedy then requested that **AGEB #40** be skipped over for the time being and that he be allowed to take it up last.

AGEB #41 The La. Streamlining Government Commission recommends to the governor and the La. Legislature that DHH roll back the Medicaid transportation program provider rates to the 2006 level, for a savings of \$13 million.

AGEB #40 DHH be directed to bid out La. Medicaid Program to a private health insurance company with the amount to be paid by the state capped at \$4,000 per insured. If a private insurer agreed to insure all 1.23 million La. Medicaid recipients for an annual premium of \$4,000 per insured, La. taxpayers would save \$549 million in health care costs and \$252 million in administrative costs. The Commission further urges La. Congressional Delegation to encourage the US Dept. of Health & Human Services to give its consent to La. to take this action within six months.

Mr. Kennedy explained that according to Kaiser, the average premium in La. for a single person was \$4,386. It costs La. \$252 million for health care. The average cost per patient is \$4,400. His AG is suggesting that DHH bid out the entire Medicaid program to a private health insurance company with a cap of \$4,000. There would be 1.23 million customers for them. This would be a savings of \$539 million and \$252 million in administrative costs would not be needed.

Senator Donahue asked Mr. Kennedy if there was any preconceived information regarding anyone being interested with the \$4,000 cap. Mr. Kennedy had not discussed this with any private health insurance companies. If it is bid out and they cannot do it for \$4,000, we will then have our answer. Senator Donahue then inquired as to cutting the number off at \$4,000. Mr. Kennedy stated he was not wed to that figure and that he would take the figure out, but he just wanted to be frank to the private industries. Senator Donahue was concerned with the arbitrary cap. Mr. Erwin asked if this would replace the Medicaid Managed Care Program that the commission passed at a previous meeting. Mr. Kennedy stated that this was not an HMO. The other proposal was coordinating care through a pilot program. If this proposal is implemented, a pilot program will not have to be done. A discussion was then held regarding long term care.

VI. RECEIVE COMMISSION MEMBER RECOMMENDATIONS

KOLB #1 DHH should amend the Elderly and Disability Adult Waiver Program to an individual cap at the cost of the waiver, to be no more than the average cost for an individual in a nursing facility.

Mr. Kolb explained that presently the EDA program was not in compliance with the efficiency requirements of CMS and this would be a step to bring them into compliance. It would save \$12 million. These individuals are being sat with in their homes. Mr. Kennedy asked him to expand on his last statement about being sat with in their homes. Mr. Kolb answered that it was a combination of maids, watch tv with them, and do various levels of service. The problem is that some of the people are getting so many hours of care that it doubles the nursing home rate. A provider handles this and sends an individual care giver into the home, but 50% of the time, the care giver is a family member that is working for the provider. There is an audit being done presently.

Senator Donahue referred this to the AG on Civil Service.

VII. PUBLIC COMMENTS

Mr. Martin paused while the next group of recommendations were being prepared and asked Kay DeBenedetto to step forward to discuss **AGEB #29**. She stated that the infrastructure is in place to perform these audits and wanted to let the commission know that the manpower saving hours would be the only savings and that those hours would be redirected to other audits already being performed. Mr. Martin asked if she was testifying that there would not be any dollar savings, but more or less a shifting. She answered that they were not spending any dollars and the only savings would be in man hours. They are not against AGEB #29 but question the 75% savings.

Jim Harris stepped forward to introduce Marjorie Powell. They had concerns regarding recommendation **AGEB #33**. On behalf of the Medical Society, he stated that they were concerned with the proposition as they have a program in place that assures rebates and assumes the best price. He then asked that the commission consider not going forward with the recommendation as they believed it would be detrimental to the patient/doctor relationship. Ms. Powell then testified that she represented the individuals doing the research to bring new medicines to market. She urged for the rejection of this recommendation for 4 major reasons: (1) It will put Medicaid patients at risk of worse health care at higher medical costs, and physicians need to have a range of meds that they can select. (2) A patient may be limited to two generic meds and if they do not work, there is no other option. Patients will incur other medical expenses because of repeated doctor visits. Medicaid is a federal program and there are regulations the state has to comply with, one being that if the state limits a patient's access to branded meds, they must establish a system whereby the physician can get permission to prescribe a med that is not on the preferred drug list. The state would have to set up a system and have people to respond to the physicians. This is an extensive and costly system. (3) The state would have to get federal approval to incorporate it into the state Medicaid plan because this is a federal program. (4) Patients with chronic conditions would not be receiving the most effective treatment and it will worsen. She gave an example and then urged the commission to reject the recommendation.

Mr. Kennedy asked how much money it would cost the pharmaceutical companies if the recommendation passed. Ms. Powell had no way to predict the amount because of what the list would contain. Pharmaceutical companies pay \$300 million in rebates every year to the Medicaid program in La. The generic company rebate is considerably lower. As 72% of Medicaid drugs are generic in La., she anticipated the effect on manufacturers to be spread across both brand and generic. Mr. Kennedy reminded them that it would not be just the two cheapest drugs, that it would first start with the two most effective drugs and then the cheapest. He stated that it was a preferred drug list and not a mandatory drug list. Ms. Powell stated that when the Medicaid budget is examined, prescription drugs and pharmacy fees account for 10 cents out of every dollar.

Ms. Davis stated she was under the impression that DHH had testified on this issue and recommended amending it to add language that the state should reduce the cost of generic drugs and incentives the use of the lowest cost drug by establishing co-pays for the higher cost drugs, when lower cost drugs are available. She asked for Ms. Powell's opinion of the amendment. Ms. Powell stated that if there is generic available before the brand that the patient is already taking, it makes fiscal sense to take the generic unless there is an additive or inactive ingredient that makes it impossible for the patient to take. Ms. Davis said that she intended to offer the amendment at the appropriate time. Ms. Powell then discussed doctor's calling for approval to prescribe other meds, rebates, justification and contraindications. Mr. Kennedy then suggested that the commission

request DHH to be present when the recommendation was on the agenda for Mr. Levine to give information. Senator Donahue notified everyone that this recommendation would be first on the agenda for next week.

VIII. CONSIDERATION OF ADVISORY GROUP RECOMMENDATIONS

The chairman requested that Senator Michot present IT Integration Advisory Group recommendations for consideration:

AGIT #1 To recommend that legislation be enacted to allow reverse auctions

Senator Michot stated that this would save 15-25% in state procurement and that legislation would be required to remove the sealed bid mandate in order to allow on-line auctions and moved for adoption of the recommendation. Senator Donahue asked questions regarding the bidding process (performance and bid bonds), and how that would be taken care of. Senator Michot explained that they would have to be pre-qualified to be a bidder. Ms. Davis stated that the mechanism to create more competition to allow better pricing would be changed. Senator Donahue stated that there were regulations that would require change and those would have to be addressed. There were no objections to the adoption of the recommendation. Senator Donahue request dollar savings amounts for the recommendation. Mr. Guillot clarified that this applied to the purchase of supplies and equipment and furnishings, whereas comments from the chair earlier related to public works projects.

AGIT #2A Requires all agencies, departments, and certain statewide elected officials, except higher education, to "opt in" to the LaGov (ERP) project.

Senator Michot asked that this one be withdrawn because the timing of the ERP time line.

AGIT #3 Continue the implementation of the LaGov (ERP) project.

The time line of this has been altered and the AG group just want them to continue moving forward. There were no objections to the adoption of the recommendation.

AGIT #4 Consolidate the state's data processing assets to move to a centralized data environment.

This recommendation would save between \$50 million to \$125 million every three years. There were no objections to the adoption of the recommendation. Senator Donahue requested that "net savings" be inserted on to the savings column.

AGIT #5 Continue the implementation of e-mail as a statewide shared enterprise service.

There were no objections to adoption of this recommendation.

AGIT #6 Implement an IT spend analysis/agency efficiency scorecard

Senator Michot stated there presently is no accurate figure on how much is being spent on IT. Ms. Davis stated that an estimated \$500 million is being spent but that a lot of costs have not been captured in that number. There were no objections to adoption of the recommendation.

AGIT #7-I Review, modernize and consolidate management of IT procurement.

Ms. Davis stated that IT procurement is divided between Contractual Review and State Purchasing and it should be managed by only one entity. It would be removed from Contractual Review and put into State Purchasing. There were no objections to adoption of the recommendation. There were no quantifiable savings, just efficiency.

AGIT #7-II Implement a project management office within the Office of Information Technology.

Senator Michot requested that this recommendation be withdrawn. There were no objections.

AGIT #8 Implement a single infrastructure for external health care initiatives.

Senator Michot stated that a lot of health care records were shared and this would integrate and allow the records to be shared. There were no objections to adoption of the recommendation.

AGIT #9-A Continue implementation of a management of enterprise network infrastructure.

There were no objections to adoption of the recommendation.

Senator Donahue then called on Mr. Kennedy to present the recommendation for consideration from the Advisory Group on Efficiency and Benchmarking.

AGEB #16 To require that 75% of the money in La. Capital Outlay Program be spent on road construction and maintenance through the existing priority program for each year of the next five years.

Mr. Kennedy offered an amendment to state "spend money though existing priority program". Ms. Davis disagreed with the recommendation but understood that it was important to seek solutions for road funding, but this would tie the state's hands and limit flexibility to address other needs. At present there are over \$2 billion in deferred maintenance needs. Mr. Erwin was concerned also about flexibility. Senator Donahue stated that the top three priorities in the state included infrastructure and he thought it was time to establish this priority and that he was in favor of it. Mr. Kennedy was opposed to cash lines of credit that were no on infrastructure and then listed some of them. Ms. Davis reminded the commission that the projects Mr. Kennedy listed were approved by the bond commission prior to the present administration taking office. She reminded that there were deferred maintenance needs and if passed, some of those needs will not be met. She suggested saying that "a substantial portion go to roads or infrastructure". Mr. Kennedy explained that the 75% would make a substantial dent in the backlog. He then discussed deferred maintenance. Ms. Davis offered an amendment to say that (1) we require a substantial portion of the capital outlay bill to be used for highway projects or (2) that we provide for 75% that would include the use of deferred maintenance for our state facilities. Mr. Kennedy did not agree with saying "substantial amount" and thought the

latter one was best. Ms. Davis agreed to offer an amendment to state "to spend 75% of the capital outlay program on highway projects and infrastructure and deferred maintenance". Mr. Guillot stated that we could have the word "at least" in front of the 75%. It would say "to require that at least 75% of the money in La. Capital Outlay program be spent on road construction and maintenance through the existing priority program and for deferred maintenance of state buildings, including colleges and university buildings, for the next 5 years." Mr. Kennedy objected to the amendment and suggested 60% on roads, 20% on deferred maintenance, and 20% on other things. Mr. Guillot explained that with the amendment, the recommendation would read "To require that at least 60% of the money in the capital outlay program be spent on road and bridge construction and maintenance through the existing priority program and at least 20% of the money in the capital outlay program be spent on deferred maintenance of state buildings, including colleges and universities, for each of the next five years." There were no objections to the adoption of this amendment. There were also no objections to adoption of the recommendation as amended.

Senator Donahue then announced that the following recommendations would be deferred until the next meeting in order to allow the commission to hear presentations. Mr. Kennedy suggested that we also invite the LSU Health Sciences individuals to hear their input.

AGEB #17 To rehabilitate and use the currently unoccupied "Big Charity Hospital" building as a public teaching hospital if the State of Louisiana decides to go forward with its plans to construct such a hospital in New Orleans.

AGEB #20 If the existing but currently unoccupied "Big Charity Hospital" building is rehabilitated (instead of being rebuilt on a new site), and used as a public teaching hospital, \$50 million of the projected savings achieved by rehabilitating the hospital will be used to recruit health care professionals and researchers to the hospital and the schools affiliated with it in order to establish a world class academic research and medical center.

At this time, Chairman Donahue called for a recess and announced that the commission would reconvene at 1:00 p.m.

The meeting was called back to order at approximately 1:12 p.m. Mr. Kennedy proceeded with the recommendations from his advisory group.

AGEB #18 To require non-elderly, non-disabled recipients of any affordable housing or housing assistance program offered through the Louisiana Housing Finance Agency to obtain formal employment in the private sector or government, and require that those recipients who claim they cannot find employment to participate in a supervised job search or in educational job training program that assists people to obtain employment or perform community service.

Mr. Kennedy stated that there were approximately 50,000 affordable housing units in Louisiana. He did not have the actual savings with him but stated he would make them available at a later time.

Annie Clark with the La. Housing Finance Agency spoke on this proposal to ensure that the language is flexible as to not lose funding from federal agency. She also recommended that the actual tracking and training be done by a state agency that is already set up for workforce training. She asked if it

was to apply to all affordable and subsidized housing. She listed other agencies and programs they had. She stated that should it require additional administrative costs, it would add to the cost of development and that it was their opinion that the program would likely make bond holders not want to purchase La. products and it would make the tax credits harder to syndicate. Mr. Kennedy and Ms. Clark then discussed tax credits.

Senator Donahue stated that the verbiage could be handled later. There were no objections to adoption of the recommendation.

AGEB #19 To direct all boards and commissions, except those boards responsible for administering Louisiana's retirement systems, to file electronically, on or before February 1 of each calendar year, with the Commissioner of Administration of the state of Louisiana, the Speaker of the Louisiana House of Representatives and the President of the Louisiana Senate, a financial statement setting forth in detail the assets and liabilities, including unencumbered and encumbered cash on hand, of each board and commission. To further direct all money which is not needed by these boards be subject to appropriation for any lawful purpose by the Louisiana Legislature.

Mr. Kennedy stated that some of the independent agencies start to think of this money as their money and that this money could be subject to the legislature. There were no objections to the adoption of the proposal.

AGEB #21 To provide, by statute, for a Louisiana spending limit identical to the Oregon spending limit, known as the Oregon kicker law, with the exception that, under the Louisiana spending limit, excess revenues would first be deposited into the Louisiana Budget Stabilization Fund (the Rainy Day Fund) until that fund reaches its cap before any rebates are returned to individual or corporate taxpayers. The spending limit shall be cancelled or overridden in a particular year only by a two-thirds vote of the Louisiana Legislature, which shall be subject to veto by the governor.

Senator Donahue requested that this recommendation be deferred until his recommendation could be put on the agenda and take them up at the same time. There were no objections.

AGEB #22 That no department or agency of Louisiana state government shall be authorized to privatize a program or service unless there is demonstrative evidence that the benefits of the privatization outweigh its costs; that the department or agency entering into the privatization contract be held accountable and responsible for the cost and quality of the service under the contract; that all privatization contracts require the approval of the Joint Committee on the Budget of the Louisiana Legislature; that the public department or agency entering into the privatization contract be required to monitor the contract to ensure that the benefits of the privatization outweigh the costs on an annual basis; and that private contractors retained through a privatization contract be required to give a hiring preference to public employees who are displaced by the privatization.

Mr. Kennedy suggested that private contractors be asked to give preference to any displaced employees. Mr. Martin thought that there should be an RFP to see if privatization or outsourcing would work. If it shows that the cost of a private employee is much less than the state or equipment is underutilized, he would agree that the contractor give an interview, but did not know about the hiring preference. At that time Mr. Martin asked for an amendment to change the language to give a "hiring preference" be required to "interview".

Mr. Guillot stated that the amendment would substitute "give a hiring preference" to "interview and consider" and at the end of the statement to add "for employment, public employees who are displaced by the privatization". Ms. Davis stated that civil service already requires a state agency to certify this information to civil service. There is an extensive questionnaire before doing this. She suggested that the language should follow that. Mr. Kennedy stated that he did not want to require them to go to civil service, but rather to the joint budget committee. Mr. Hardman reminded everyone that the displaced employees are losing income and also benefits and that they need to look at everything. There were no objections to the adoption of the amendment. There was objection to adoption of the recommendation. The secretary called the roll and the amendment failed to pass by a vote of 4 yeas (Donahue, Martin, Kennedy, Kolb) and 6 nays (Davis, Erwin, Geymann, Hardman, Michot, Morris).

AGEB #23A That Louisiana state government create a website modeled after the "Where the Money Goes: Window on State Government and Transparency at Work in Texas" website provided by the Texas Comptroller of Public Accounts which is a user friendly website containing a database on state spending searchable by state agency, payee and category of expense, and which includes a virtual check register updated daily and available twenty-four hours a day. The Commission further recommends that Louisiana state government also assimilate into this new website the best practices and user-friendly nature exhibited by the state of Utah's "transparent.utah.gov" website, which is dedicated to the transparency and accountability of Utah's government finances.

Ms. Davis pointed out that they have evaluated the Utah web site and the only thing that they did and we did not look at all 3 branches of government with detailed spending. This is a great idea but she was not sure the state had the capability to do this. There were no objections to the adoption of the recommendation.

AGEB #24 To make pretrial mediation of disputed claims filed with the Office of Workers Compensation voluntary, which will eliminate the need for six attorney mediators at the Office of Workers Compensation at an average annual savings of \$75,000 for each mediator.

There were no objections to the adoption of this recommendation.

AGEB #25 The Department of Revenue be authorized and directed to establish provisions on its website so that taxpayers may ask questions about tax notices and receive answers online, through email, and that allow taxpayers to file an appeal of an alleged delinquency online.

There were no objections to the adoption of this recommendation.

AGEB #26 Departments and agencies of state government to contract with the Department of Revenue to have their document and remittance processing performed by the Department of Revenue until the Department of Revenue's equipment is used as close to 100% of the time as is practical and possible.

There were no objections to the adoption of this recommendation.

AGEB #27 The Louisiana Workforce Commission audit program for unemployment insurance taxes be transferred to the Department of Revenue and that no more than 75% of the monies spent by the Louisiana Workforce Commission to perform this service be appropriated annually to the Department of Revenue to perform the service.

There were no objections to the adoption of this recommendation.

AGEB #28 The Department of Natural Resources field audit program for royalties be transferred to the Department of Revenue and that no more than 75% of the monies spent by the Department of Natural Resources to perform this service by appropriated annually to the Department of Revenue to perform the service.

Mr. Kennedy requested that this one be held up as DNR had questions to be considered and so he would like to pass on taking this one up for the time being. There were no objections.

AGEB #29 The audit functions and responsibilities of the International Registration Plan currently administered by the Department of Public Safety and Corrections to the Department of Revenue, which currently performs audits for the International Fuel Tax Agreement, and that no more than 75% of the monies spent by the Department of Public Safety and Corrections to perform these services be appropriated to the Department of Revenue to perform the services.

The intent is to save the 25%. Senator Donahue then asked that dollar amounts be put on all of the previous recommendations from this AG. There was no objection to the adoption of the recommendation.

AGEB #30 That inefficient and circular flows of tax payments and tax credits be eliminated by having the state make a direct payment to the local government or entity levying the tax or surcharge for which tax credits are taken.

Mr. Kennedy gave a few examples of this and stated that he did not know if there was a dollar savings. There were no objections to adoption of this recommendation.

AGEB #31 All departments and agencies of Louisiana state government to the maximum extent possible contract with the Department of Public Safety and Corrections for prison labor to perform cleaning and janitorial services.

Mr. Kennedy discussed the departments that did use these services and those that did not, transportation of the trustees, etc. Mr. Lyman, Revenue, gave his department's reasons for not using prison labor, that being that their department has confidential records and money, checks, and data. There were no objections to adoption of the recommendation.

AGEB #32 The Louisiana Department of Health and Hospitals (DHH) be directed to immediately and fully implement the provisions of LRS 22:1065 et seq., better known as the "Baby Bill," as well as the Louisiana Health Insurance Premium Payment Program (LaHIPP), and that DHH report to the Louisiana Legislature on a semi-annual basis its results to fully implement these two provisions of Louisiana law.

Mr. Kennedy explained that this had been in effect but that DHH had not been pushing it. There was objection to the adoption of this recommendation and a roll call was taken. The recommendation was adopted by a vote of 7 yeas (Donahue, Martin, Davis, ERwin, Kennedy, Kolb, Morris) and 1 nay (Hardman).

AGEB #33 That the preferred drug list program for Medicaid be changed to provide for the two, and only the two, most effective therapeutic drugs that are also the cheapest for each illness. (This includes both generics and brand name drugs that offer rebates.) This will eliminate hundreds of less effective and more expensive drugs from the preferred drug list and could save taxpayers tens of millions of dollars.

Mr. Kennedy asked that this be deferred until Secretary Levine could come before the commission to testify regarding this. There were no objections and Senator Donahue stated that it would be taken up after "Big Charity".

AGEB #34 All departments and agencies in Louisiana state government be required to obtain the approval of the Joint Committee on the Budget of the Louisiana Legislature in order to retain an outside consultant in a contract equal to or greater than \$50,000 per year. The application for approval of the Joint Committee shall explain the following: (1) Why the department or agency needs to hire an outside consultant; (2) How the service provided by the outside consultant conforms to the mission of the department or agency; (3) Why the service of the outside consultant cannot be performed by a regular employee or employees of the department or agency; (4) How the outside consultant was selected; (5) What action the department or agency will take to satisfy the need that the outside consultant is being hired to address if the Joint Budget Committee does not approve the contract.

Mr. Kennedy informed everyone that he had asked for information and that it was still being compiled with regard to the number of consultants and how much it is costing the state. Ms. Davis stated that there was a calculation of contracts and that there were approximately 7,990 which meant

that budget would spend a lot of hours on this. Mr. Kennedy was of the opinion that consultants were being hired to do the job that the department heads would not do.

An amendment was offered by Mr. Martin to change "outside consultant" to "outside management consultant". There were no objections to the amendment. At that time, the recommendation was deferred until they could receive additional information.

AGEB #35 The fixed-site scale responsibilities of the Department of Transportation & Development be transferred to the Louisiana State Police, and that the State Police be directed to achieve a savings of at least 25% in the second year through the consolidation of the responsibilities.

Mr. Kennedy stated that this recommendation could be accomplished within 2 years. There were no objections to adoption of the recommendation.

AGEB #36 The Department of Revenue contract with willing local political subdivisions to have the local political subdivisions, while they are auditing for local government sales taxes, to also audit for state sales tax and be paid a reasonable fee to be negotiated between the two entities.

Mr. Lyman, Dept. of Revenue, testified that their department was in a better position to perform audits across the state and are currently working with the local entities for a solution to streamlining auditing taxpayers. Local entities hire on a contingency basis but the state cannot. He added that it would minimize the impact on businesses if it were limited to a single audit. Mr. Martin offered an amendment to flip the situation to have DOR in charge of audits and local entities contract with them. Mr. Guillot explained that the amendment would state "The Department of Revenue contract with willing local political subdivisions to have the department, while it is auditing for state government sales taxes, to also audit for local sales taxes and be paid a reasonable fee to be negotiated between the two entities." There were no objections to the amendment. There were no objections to adoption of the recommendation with amendments.

Chairman Donahue then called on Mr. Erwin to present for the Advisory Group on Elimination of Duplicative and Non-Essential Services.

AGDNES #2 Relocate auditing responsibilities of DNR and LWC to DOR.

Mr. Erwin requested that this one be pulled as it had been covered in a previous recommendation.

AGDNES #3 Relocate ATC from DOR to DPS.

Testimony has shown that retail individuals are in opposition to this. Chris Young, Beer Industry League, testified that their concern was that there had not been a quantified savings. He wanted the commission to know that a small portion of alcohol licensees also have gaming licensees. There is also a conflicting report that suggests the opposite that was submitted to Commissioner Davis. The report suggests that gaming should be moved to the Office of Alcohol and Tobacco Control. Mr. Lyman, Revenue, testified that there were no objections expressed to the move but pointed out that there was never an indication of savings. He stated that Col. Edmonson thought efficiency would be gained by merging the two departments.

Mr. Erwin then motioned that the recommendation be adopted. Mr. Kennedy objected. After roll call, the recommendation failed by a vote of 3 yeas (Davis, Erwin, Geymann) to 7 nays (Donahue, Martin, Hardman, Kennedy, Kolb, Michot, Morris).

AGDNES #4 DOR has excess remittance and document processing capacity that can be used to process paper documents for other state agencies.

Mr. Erwin asked that this one be pulled as it had already been talked about in a previous one.

AGDNES #5 Establish single location for information technology help desk functions for all state agencies and its employees.

This would create efficiencies and service provisions. There were no objections to the adoption of the recommendation.

AGDNES #6 Potential elimination of taxes that generate small revenues yet require substantial administrative management and infrastructure to the point that administrative costs exceed revenue proceeds.

Mr. Erwin requested that this one be deferred as information was being compiled. There were no objections.

AGDNES #7 Establish DOR as the single tax collector for all sales and use taxes throughout the state of Louisiana.

Mr. Erwin stated that this one had already been withdrawn.

AGDNES #9 Develop plans to further integrate services of DSS and LWC, especially those services where shared clientele is realized.

There were no objections to adoption of the recommendation.

AGDNES #12 Expand current efforts to reduce unused nursing home bed capacity.

Mr. Erwin stated that La. has the highest number of nursing home beds and low occupancy rates. It would take unused beds out of the system as it costs money. There are several options to accomplish this. Mr. Kolb stated that he had no objection but his idea was bed buy back. He wanted to comment on the \$20 million and he wanted to let the commission know where it came from. He then discussed the rate system and occupancy penalty. The \$20 million is the difference between 70% occupancy penalty and 100% occupancy penalty. Senator Donahue then discussed certificates of need. There were no objections to the adoption of the recommendation.

AGDNES #13 Develop pilot program for long-term care (LTC) services for the elderly and people with adult-onset disabilities.

Mr. Erwin explained that it would be similar to managed health care and that it was a pilot program because it is complex and they want to try to see what works best for the state before expanding it

statewide. Mr. Kennedy and Mr. Erwin then discussed HMOs, over utilization, and the impact on aging. Mr. Kennedy stated he could not vote until he had more detail. Mr. Erwin then motioned that the recommendation be adopted. Mr. Kennedy objected. A vote was taken and the motion passed by a vote of 8 yeas (Donahue, Martin, Davis, Erwin, Geymann, Hardman, Michot, Morris) and 2 nays (Kennedy, Kolb).

AGDNES #14 Transfer Elderly Protective Services (EPS) from Governor's Office of Elderly Affairs (GOEA) to DHH/Office of Aging and Adult Services (OAAS).

This is not a merger of the two agencies and will not have any impact on the Council on Aging. It is an integrated effort by DHH and Elderly Affairs to take one particular service (Adult Protective) and move it into one agency (DHH). After discussion with Mr. Martin regarding the opposition received against this, it was withdrawn.

AGDNES #15 Transfer Independent Living, Community & Family Support, and Traumatic Head and Spinal Cord Injury Trust Fund programs from DSS/LA Rehabilitation Services (LRS) to DHH/Office of Aging and Adult Services (OAAS).

This recommendation came from Social Services and DHH is not opposed. There were no objections to adoption of the recommendation.

AGDNES #16 Provide a tax clearance requirement for all state vendors and contractors and permit state departments and agencies to "garnish" payment to vendors and contractors doing business with the state and who also have an adjudicated delinquent account receivable in favor of the state.

Mr. Kennedy offered an amendment to strike out "adjudicated" and insert "final judgment as to accounts receivable". There were no objections to the amendment. There were no objections to adoption of the recommendation with amendments.

AGDNES #17 Develop plan to transition from manual background checks to automated process. Use certified vendors where applicable.

Mr. Erwin requested that this recommendation be withdrawn as Mr. Martin was already working on one. There were no objections.

AGDNES #18 Perform a system-wide analysis of behavioral health needs of high risk children within the child welfare and OJJ systems to maximize the use of Medicaid funding.

Mr. Kennedy asked to amend this one to say that DSS OJJ and DHH should perform in-house system wide analysis. There were no objections to the amendment. There were no objections to the adoption of the recommendation with the amendment.

AGDNES #19 Merge Capitol Police from DOA into Dept. of Public Safety & Corrections - Public Safety.

There was no discussion and there were no objections to the adoption of the recommendation.

AGDNES #20 Re-allocate DSS emergency preparedness sheltering activities to GOHSEP, LANG or a professional vendor.

This would remove sheltering only from DSS. There were no objections to adoption of the recommendation.

AGDNES #21 Consolidate eligibility and enrollment functions for citizens needing services or support from DSS or DHH.

Mr. Kennedy requested an amendment to put in a provision to not allow them to spend more money than they are spending now. The amendment would read "because of this consolidation, we expect them to achieve some efficiencies and therefore are directed to spend 25% less". Senator Donahue thought that it should say "at no additional cost". Kennedy agreed with Senator Donahue's wording. There were no objections to adoption of the amendment. There were also no objections to adoption of the recommendation.

AGDNES #22 Automate Dept. of Natural Resource's oil and gas permitting and reporting processes under the Office of Conservation.

There were no objections to adoption of this recommendation.

AGDNES #23 Transfer appropriate rehabilitation service functions in DSS to DHH and LWC.

There were no objections to adoption of this recommendation.

IX. CONSIDERATION OF MEMBER RECOMMENDATIONS

DONAHUE #2 That certain government services and processes be identified as activities to be funded in whole or in part through "full cost recovery" of expenses by the user or customer; that the criteria for setting the amount of cost recovery be established in consultation with the Society of Louisiana Certified Public Accountants; and that the data and information used, as well as the process employed to calculate the specific charge, and any audits thereof, be displayed on the department's or agency's website.

Senator Donahue stated that this one would be deferred until information from the CPAs had been received. It will be taken up at the next meeting.

Michot #1 To recommend the Board of Elementary & Secondary Education study the use of digital textbooks in state schools and to report to the Legislature prior to March, 2010.

There were no objections to adoption of this recommendation.

X. ADVISORY GROUP RECOMMENDATIONS HELD OVER

AGEB #3 To limit the number of emergency room visits to two annually for treatment of non-emergency medical conditions for Medicaid enrollees under Louisiana's Medicaid Program who wish to have Medicaid pay for their treatment, and for patients who are not covered by a public or private insurance program, and therefore are uninsured, and who wish to receive their treatment without cost or substantially without cost because they are unable to pay for their treatment.

Mr. Kennedy stated that he would like Secretary Levine to testify on this one. DHH wants to do co-pays and some of the private providers do not think it will influence behavior and that the non-state hospitals will be affected. DHH admitted that it is not illegal to deny payment for treatment of non-emergency conditions. He discussed the current law. He then asked that the recommendation be deferred until Mr. Levine could be present to answer questions.

AGEB #5 To provide that a Louisiana state prisoner, except those determined to have certain disabilities, who does not have a high school diploma, or who has not passed the General Education Development test (GED) certifying that he has American high school academic skills, shall not be eligible for probation or parole until he has passed the GED through a program offered by the La. DPS&C. To provide funds to the DPS&C for this responsibility.

Mr. Kennedy informed the commission that Corrections had not responded to requests on this. He asked that this be deferred until crucial information was received from them.

AGEB #9 Requires that all Louisiana public school students who have been suspended from school for more than five days in a school year or who have more than ten unexcused absences from school in a school year be required to enroll in the Louisiana National Guard Youth Challenge Program. To pay for increased enrollment in Youth Challenge with Minimum Foundation Program funds. To change Louisiana law to prohibit students from dropping out of school until they have reached 18 years of age.

Mr. Kennedy stated this had been amended to include not only the National Guard Youth Challenge Program, but also JAG, which is at a lower cost per student. He explained that this program, Jobs for America's Graduates, is for dropout prevention and recovery for those ages 12-21. He gave detail about the programs. When asked about absenteeism, he responded that 88,000 students were absent more than 10 days in high school alone. Rep. Geymann requested that an amendment be added to give discretion to the principals and superintendents would have the option to keep someone from dropping out. The amendment would state "Require all La. public school students that have been suspended from school for more than 5 days in a school year or who have more than 10 unexcused absences from school in a school year may be required to enroll in the National Guard Youth Challenge Program or the JAG program at the discretion of the principal." Mr. Erwin suggested taking the Youth Challenge part out so that it would not alter the current program they have. Mr. Kennedy did not think it would change anything. There were no objections to adoption of the proposed amendment. There were no objections to adoption of the recommendation.

AGEB #10

To direct state government to reduce the number of state government positions by at least 5,000 positions for each year of the next three years pro-rata by department through vacancies and attrition and without reducing the quality of products or services. Department heads are directed in their reorganization efforts to study and take into account layers of management, spans of control, clerical staffing levels, unit consolidation, process re-engineering restructuring, retraining for enhanced skills and headquarters staffing reductions. Department heads should increase productivity by providing training opportunities for employees who wish to learn new skills or improve old skills. To use twenty percent of the savings to increase compensation for employees taking on additional responsibilities.

Mr. Kennedy stated that he would like to have this one deferred until the ones associated with this were on the agenda.

XI. MEMBER RECOMMENDATIONS HELD OVER**DONAHUE #01**

Except as required by the federal government, the Louisiana Constitution, or court order, limit State General Fund appropriations in FY 10-11 and FY 11-12 for operating expenses of each budget unit to no more than 98% of each fiscal year's appropriation while, at a minimum, providing the same kind and level of needed services as provided in the prior fiscal year through increased productivity.

Senator Donahue stated that this would save \$124 million per fiscal year. Mr. Kennedy stated that this was basically a 2% across-the-board cut and he preferred not to do it this way as all programs will be equally affected and will take an equal hit. Senator Donahue explained that it was instructing government to go back to last year's budget with the same amount of service, yet do it for 2% less. Mr. Martin suggested deleting "each budget unit" and requested that an amendment be prepared to do so. There were no objections to the amendment. There were also no objections to passage of the recommendation with the amendment.

XII. OTHER BUSINESS

Mr. Guillot passed out information from the NCSL on what other states are doing with reference to budget shortfalls.

Senator Donahue announced that the next meeting would be held on November 17 and November 18, then again on November 23 and November 24. He requested that the advisory groups attempt to get through within those two weeks.

XIII. ADJOURNMENT

There being no other business to conduct, Mr. Martin motioned to adjourn; no objection. The meeting adjourned at approximately 4:00 p.m.

November 17, 2009

DATE APPROVED

Jack Donahue, Commission Chairman